



Company Flash Note

Reason: Company results (post view)

7 April 2022

Buy

Recommendation unchanged

Share price: EUR 8.20

closing price as of 06/04/2022

Target price: EUR 9.70

from Target Price: EUR 9.70

Upside/Downside Potential 18.3%

Reuters/Bloomberg

IZER.MC/IZER SM

Market capitalisation (EURm) 192

Current N° of shares (m) 23

Free float 23%

Daily avg. no. trad. sh. 12 mth (k) 12

Daily avg. trad. vol. 12 mth (k) 71.95

Price high/low 12 months 9.64 / 7.18

Abs Perfs 1/3/12 mths (%) 9.92/2.50/-12.39

Key financials (EUR) 12/21 12/22e 12/23e

Sales (m) 65 95 126

EBITDA (m) 7 10 14

EBITDA margin 11.2% 10.9% 11.0%

EBIT (m) 2 3 6

EBIT margin 2.6% 3.6% 4.4%

Net Profit (adj.)(m) 0 1 3

ROCE 3.2% 5.2% 6.9%

Net debt/(cash) (m) 14 22 31

Net Debt Equity 0.4 0.7 0.9

Net Debt/EBITDA 2.0 2.2 2.2

Int. cover(EBITDA/Fin.int) 8.5 8.6 9.5

EV/Sales 3.0 2.2 1.7

EV/EBITDA 26.9 20.2 15.7

EV/EBITDA (adj.) 26.9 20.2 15.7

EV/EBIT nm 61.1 39.4

P/E (adj.) nm nm nm

P/BV 5.8 6.1 5.6

OpFCF yield 0.4% 3.0% 4.4%

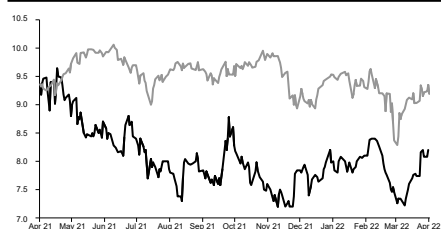
Dividend yield 0.0% 0.0% 0.0%

EPS (adj.) 0.02 0.06 0.12

BVPS 1.37 1.35 1.47

DPS 0.00 0.00 0.00

Shareholders

Laren Capital, S.L.U. 59%; Management Team 15%;
Santander AM 2%;

Source: FactSet

— IZERTIS

— IBEX 35 (Rebased)

Analyst(s)

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FY21. Margins improvement and growth accelerating

Izerits presented 2021 results yesterday, with growth slightly above our estimates (EUR65m revenues vs. EUR63.5m estimated and recurrent EBITDA EUR7.3m vs. EUR6.9m est), in which the improvement in margins has been more relevant (11.2% vs. 10.9% est). In addition, an acceleration in organic growth has been observed in 2H21, reflecting the strength of the main business lines. The financial situation indicates net debt EUR14.3m (ND/EBITDA 1.98x) in line with our estimates.

- ✓ The two lines of **higher added value revenues** and growth (Digital Transformation and Technological Infrastructure & Services) continue to gain weight over the total and now represent 70% of the revenues (vs. 59% in FY20). **The organic growth of said lines is +14.3% and +25.2%** in the year, respectively, above our estimates of approximately +10%.
- ✓ On the other hand, the **business lines with lower added value** (Business Operations and Business Solutions) have **performed better than expected** with stabilising revenues in BOs and BSs dropping -13.4%.
- ✓ The accelerated growth in the higher added-value lines took the **normalised EBITDA margin** (excluding extraordinary expenses, that in 2021 were only EUR94k) **to +11.2%**, above our estimates and above the 10% target set by the Company in its 2023 Strategic Plan.
- ✓ Regarding **inorganic growth**, another of the Company's growth pillar, in 2022, the company has closed an acquisition with EUR2m in turnover and more are expected to be closed in coming weeks. Our estimates reflect an incremental M&A revenues of EUR19m in 2022, to end the year at EUR90-95m turnover and c.EUR10m normalised EBITDA.
- ✓ Despite the strong investment effort made during 2021 (with c.EUR9m investments in M&A), **net debt remains at around 2x**, target set by the Company.
- ✓ Net profit is below 2020 due to the extraordinary revenues of EUR2.3m from asset disposals. The comparative net profit in 2021 grew up to EUR0.4m.
- ✓ **We maintain our 2022 estimates** with a slight drop in margins vs 2021 in anticipation of possible impacts derived from the macroeconomic events we are experiencing, and **adopting a conservative stance**. In our view the Company is very well positioned to capture the high value that exists in the industry and the growth seen shows that it is greatly outpacing the market. This margin expected for 2022 is the same that we had in our previous estimates.
- ✓ **We maintain our positive outlook on the Company** and reiterate our **fair value of EUR9.7 per share and Buy recommendation**.



FY 21 Results

IZERTIS. POST-FY'21 RESULTS.

EURm	FY'20	FY'21	Δ% y/y
Total income	52.86	67.99	28.6%
Digital Transformation	15.61	26.94	72.6%
Technological Infrastructures & Services	14.16	18.33	29.4%
Business Operations	10.54	10.81	2.5%
Business Solutions	10.19	8.82	-13.4%
Others	0.24	0.15	-36.6%
Other income (non operative)	2.12	2.95	39.2%
Supplies	-15.90	-17.62	10.8%
Gross margin	36.96	50.38	36.3%
% gross margin	69.9%	74.1%	4.2pp
Personnel costs	-28.54	-39.56	38.6%
Other general costs	-3.86	-4.17	8.2%
Other results	3.09	0.53	-83.0%
Impairment & Results of sale of assets	-2.39	0.10	n.a
EBITDA	7.66	7.18	-6.1%
other non recurrent costs	-2.39	0.09	-103.9%
Normalized EBITDA	5.27	7.27	38.0%
Normalized EBITDA mg (%)	10.4%	11.2%	.8pp
EBIT	3.78	1.58	-58.2%
Net income	1.38	0.39	-71.6%

Source: Izertis & GVC Gaesco Valores

The improving gross margin reflect the Company's capacity to transfer higher costs to clients within the inflationary context. However, we must bear in mind that the inflation in 2021 was still at "reasonable" levels.

In terms of indirect costs, we also observe an improvement in the normalised EBITDA margin thus the rise in personnel and overhead costs are also being supported by revenues.

IZERTIS. POST-FY'21 RESULTS. Organic & Inorganic

EURm	FY'20	FY'21	Δ% y/y	Δ% y/y org.
Net income	50.50	64.89	28.5%	8.9%
Digital Transformation	15.61	26.94	72.6%	14.3%
Technological Infrastructures & Services	14.16	18.33	29.4%	25.2%
Business Operations	10.54	10.81	2.5%	0.6%
Business Solutions	10.19	8.82	-13.4%	-13.4%

These organic growths are above those seen in 1H21 of +10.3% and +24.7% respectively, which suggests an acceleration during the second half of the year and helps us to have a positive view of the future of the company.



Izertis: Summary tables

	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
PROFIT & LOSS (EURm)						
Sales	46.3	50.7	65.0	94.7	126	151
Cost of Sales & Operating Costs	-41.7	-45.5	-57.8	-84.4	-112.3	-134.4
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	4.6	5.3	7.3	10.4	13.9	16.9
EBITDA (adj.)*	4.6	5.3	7.3	10.4	13.9	16.9
Depreciation	-3.0	-3.9	-5.6	-6.9	-8.4	-9.3
EBITA	1.6	1.4	1.7	3.4	5.5	7.6
EBITA (adj)*	1.6	1.4	1.7	3.4	5.5	7.6
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.6	1.4	1.7	3.4	5.5	7.6
EBIT (adj.)*	1.6	1.4	1.7	3.4	5.5	7.6
Net Financial Interest	-0.4	-1.4	-0.9	-1.2	-1.5	-1.6
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	-0.1	-0.4	0.0	0.0	0.0	0.0
Other Non Recurrent Items	-0.6	2.4	-0.1	-0.3	-0.3	-0.3
Earnings Before Tax (EBT)	0.5	1.9	0.7	1.9	3.7	5.7
Tax	-0.2	-0.5	-0.3	-0.5	-0.9	-1.4
<i>Tax rate</i>	<i>46.3%</i>	<i>27.9%</i>	<i>45.8%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	0.3	1.4	0.4	1.4	2.8	4.3
Net Profit (adj.)	0.3	1.4	0.4	1.4	2.8	4.3
CASH FLOW (EURm)						
Cash Flow from Operations before change in NWC	3.4	5.7	6.0	8.4	11.2	13.6
Change in Net Working Capital	0.2	0.5	-3.4	-0.5	-0.4	-0.2
Cash Flow from Operations	3.5	6.2	2.6	7.8	10.8	13.4
Capex	-2.5	-1.6	-1.9	-2.0	-2.3	-2.2
Net Financial Investments	0.0	0.0	-1.8	-14.1	-17.8	-13.0
Free Cash Flow	1.1	4.5	-1.1	-8.3	-9.3	-1.8
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-2.4	0.1	-3.6	0.3	0.5	0.6
Change in Net Financial Debt	-1.4	4.7	-4.7	-8.0	-8.7	-1.2
NOPLAT	1.6	1.4	1.7	3.4	5.5	7.6
BALANCE SHEET & OTHER ITEMS (EURm)						
Net Tangible Assets	1.9	1.8	1.6	1.7	1.7	1.8
Net Intangible Assets (incl. Goodwill)	20.2	26.7	39.6	52.8	66.6	72.2
Right-of-Use Assets (Lease Assets)	0.0	0.0	0.0	0.0	0.0	0.0
Net Financial Assets & Other	3.1	5.5	5.6	5.2	4.9	4.8
Total Fixed Assets	25.2	33.9	46.9	59.7	73.3	78.8
Inventories	0.0	0.4	0.8	0.9	0.9	1.0
Trade receivables	12.9	12.3	14.6	15.8	16.9	17.9
Other current assets	2.1	0.7	1.1	1.2	1.3	1.3
Cash (-)	-4.2	-15.0	-37.7	-37.4	-38.1	-38.9
Total Current Assets	19.2	28.5	54.3	55.2	57.2	59.1
Total Assets	44.4	62.4	101.2	114.9	130.5	137.9
Shareholders Equity	15.6	23.6	32.0	31.6	34.3	38.6
Minority	0.2	0.2	0.3	0.3	0.3	0.3
Total Equity	15.7	23.8	32.2	31.8	34.6	38.9
Long term interest bearing debt	9.1	16.8	35.3	42.4	51.4	53.7
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Lease Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.7	3.8	5.0	4.8	4.5	4.1
Total Long Term Liabilities	10.8	20.6	40.3	47.2	55.9	57.8
Short term interest bearing debt	9.4	7.9	16.8	17.3	17.8	17.4
Trade payables	5.4	5.7	5.1	5.7	6.5	7.4
Other current liabilities	3.1	4.3	6.8	12.9	15.7	16.5
Total Current Liabilities	17.9	17.9	28.6	35.9	40.0	41.3
Total Liabilities and Shareholders' Equity	44.4	62.4	101.2	114.9	130.5	137.9
Net Capital Employed	31.8	37.4	51.6	59.0	70.2	75.2
Net Working Capital	7.5	7.0	10.4	11.0	11.4	11.5
GROWTH & MARGINS						
<i>Sales growth</i>	<i>26.1%</i>	<i>9.5%</i>	<i>28.2%</i>	<i>45.6%</i>	<i>33.3%</i>	<i>19.8%</i>
EBITDA (adj.)* growth	40.8%	14.2%	38.0%	42.3%	34.6%	21.2%
<i>EBITA (adj.)* growth</i>	<i>26.7%</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>104.3%</i>	<i>61.8%</i>	<i>37.7%</i>
<i>EBIT (adj)* growth</i>	<i>26.7%</i>	<i>-13.2%</i>	<i>20.3%</i>	<i>104.3%</i>	<i>61.8%</i>	<i>37.7%</i>



Izertis: Summary tables

GROWTH & MARGINS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Profit growth	-55.3%	447.6%	-71.6%	263.9%	97.0%	52.9%
EPS adj. growth	-55.3%	440.4%	-73.8%	263.9%	97.0%	52.9%
DPS adj. growth						
EBITDA (adj)* margin	10.0%	10.4%	11.2%	10.9%	11.0%	11.2%
EBITA (adj)* margin	3.5%	2.7%	2.6%	3.6%	4.4%	5.0%
EBIT (adj)* margin	3.5%	2.7%	2.6%	3.6%	4.4%	5.0%
RATIOS	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Debt/Equity	0.9	0.4	0.4	0.7	0.9	0.8
Net Debt/EBITDA	3.1	1.8	2.0	2.2	2.2	1.9
Interest cover (EBITDA/Fin.interest)	11.8	3.7	8.5	8.6	9.5	10.7
Capex/D&A	81.6%	42.3%	34.5%	29.3%	27.3%	23.7%
Capex/Sales	5.3%	3.2%	3.0%	2.1%	1.8%	1.5%
NWC/Sales	16.3%	13.9%	16.0%	11.6%	9.0%	7.6%
ROE (average)	2.1%	7.0%	1.4%	4.5%	8.5%	11.8%
ROCE (adj.)	5.4%	3.9%	3.2%	5.2%	6.9%	8.9%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROCE (adj.)/WACC	0.6	0.5	0.4	0.6	0.8	1.1
PER SHARE DATA (EUR)***	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Average diluted number of shares	21.3	21.6	23.4	23.4	23.4	23.4
EPS (reported)	0.01	0.06	0.02	0.06	0.12	0.18
EPS (adj.)	0.01	0.06	0.02	0.06	0.12	0.18
BVPS	0.73	1.09	1.37	1.35	1.47	1.65
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
EV/Sales	2.0	3.3	3.0	2.2	1.7	1.5
EV/EBITDA	20.5	31.7	26.9	20.2	15.7	13.0
EV/EBITDA (adj.)*	20.5	31.7	26.9	20.2	15.7	13.0
EV/EBITA	59.1	120.0	116.9	61.1	39.4	28.8
EV/EBITA (adj.)*	59.1	120.0	116.9	61.1	39.4	28.8
EV/EBIT	59.1	n.m.	n.m.	61.1	39.4	28.8
EV/EBIT (adj.)*	59.1	n.m.	n.m.	61.1	39.4	28.8
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	n.m.	44.8
P/BV	5.4	6.9	5.8	6.1	5.6	5.0
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	3.2	4.7	3.8	3.2	2.7	2.6
OpFCF yield	1.3%	2.8%	0.4%	3.0%	4.4%	5.8%
OpFCF/EV	1.1%	2.7%	0.3%	2.8%	3.9%	5.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Price** (EUR)	3.92	7.54	7.98	8.20	8.20	8.20
Outstanding number of shares for main stock	21.3	21.6	23.4	23.4	23.4	23.4
Total Market Cap	83.5	162.8	186.8	192.0	192.0	192.0
Gross Financial Debt (+)	18.5	24.7	52.1	59.7	69.2	71.1
Cash & Marketable Securities (-)	-4.2	-15.0	-37.7	-37.4	-38.1	-38.9
Net Financial Debt	14.4	9.7	14.4	22.4	31.1	32.3
Lease Liabilities (+)	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt	14.4	9.7	14.4	22.4	31.1	32.3
Other EV components	-3.1	-5.5	-5.6	-5.2	-4.9	-4.8
Enterprise Value (EV adj.)	94.7	167.0	195.6	209.1	218.1	219.5

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Technology/Computer Services

Company Description: Izertis is a technological consulting company that helps customers through its digital transformation with a broad portfolio of services. The company has founded in 1996 by its Presidente and CEO and its growth has been constant since then. Now the company is in a growth momentum both organically and inorganically to consolidate the market.



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- has a **liquidity contract** as outlined by the CNMV's Circular 1/2017 with: Melia Hotels International; Española de Viviendas en Alquiler S.A. (CEVASA); eDreams ODIGEO; ENCE Energia y Celulosa; Cementos Molins, Deoleo; Atrys Health;
- has signed a **Corporate Brokerage agreement** that includes a contractually agreed provision of research services that in return, GVC Gaesco Valores receives a compensation. These reports (sponsored) may/could have been previously shown to the companies: Agile Content; Atrys Health; Audax Renovables; Gigas Hosting; Catenon; Greenalia; Quabit Inmobiliaria; TIER1 Technology; ADL Bionatur Solutions; Codere SA; Vytrus Biotech. Dichos servicios incluyen informes que han podido ser vistos previamente por las empresas citadas.

Recommendation history for IZERTIS

Date	Recommendation	Target price	Price at change date
29-Nov-21	Buy	9.70	7.20

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Juan Peña (since 24/11/2021)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

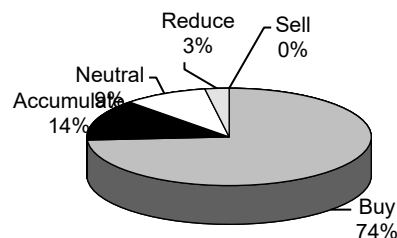
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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